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November 20, 2002

IN REPLY REFER
TO FILE NO: 933-0033

FINAL REPORT

Sherry Hobbs
President, COO
Ameritas Managed Dental Plan, Inc.
151 Kalmus Drive, Suite J-3
Costa Mesa, CA 92626-5988

RE: ROUTINE EXAMINATION

Dear Ms. Hobbs:

This is the final report of a limited routine examination of the fiscal and administrative affairs of Ameritas Managed Dental Plan, Inc. ("Plan") conducted by the Department of Managed Health Care (the "Department") pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975 ("Act").¹ The Department engaged the services of Pacific Gateway Group (PGG) to conduct specific examination procedures.

The Department issued a Preliminary Report to the Plan on October 25, 2002. The Department received the Plan's response on November 18, 2002. This Final Report includes a description of the compliance efforts included in the Plan's November 18, 2002 response, in accordance with Section 1382(c).

Section 1382(d) states "If requested in writing by the plan, the commissioner shall append the plan's response to the final report issued pursuant to subdivision (c). The plan may modify its response or statement at any time and provide modified copies to the department for public distribution not later than 10 days from the date of notification from the department that the final report will be made available to the public. The addendum to the response or statement shall also be made available to the public."

¹ References throughout this report to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, California Health and Safety Code Section 1340, et seq. References to "Rule" are to the regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act, found at Chapter 1 of Division 1 of Title 28, California Code of Regulations, beginning with Section 1300.43, and transferred to the Department of Managed Care pursuant to Health and Safety Code Section 1341.14.

Please indicate within ten (10) days whether the Plan requests the Department to append its response to the final report. If so, please indicate which portions of the Plan's response shall be appended, and provide copies of those portions of the Plan's response exclusive of information held confidential pursuant to Section 1382(c), no later than ten (10) days from the date of the Plan's receipt of this letter.

If the Plan requests the Department to append a brief statement summarizing the Plan's response to the report or wishes to modify any information provided to the Department in its November 18, 2002 response, please provide the documentation no later than ten (10) days from the date of the Plan's receipt of this letter.

The Department will make the attached Final Report available to the public on December 6, 2002.

If you have any questions regarding this report, please call.

Sincerely,

Mark Wright
Chief
Division of Financial Oversight

cc: Andrew Meyers, Acting Deputy Director, Office of Health Plan Oversight
Melissa Moon, Counsel
Leslie Nishina, Examiner

DEPARTMENT OF MANAGED HEALTH CARE
REPORT OF ROUTINE EXAMINATION
AMERITAS MANAGED DENTAL PLAN, INC.

FILE NO.: 933 0033

DATE: NOVEMBER 20, 2002

Performed by
Pacific Gateway Group

Section I. Introduction

The Department contracted with PGG to conduct a financial review of the Plan for the three months ended March 31, 2002. Specifically, PGG was to review the Plan's financial statements for reasonableness and compliance with certain targeted regulations and other specific review objectives. PGG was also to perform follow-up procedures to document how business activities that were addressed as the result of prior financial examination performed by the Department had changed, if at all.

SECTION II. ACCOUNTANTS' REVIEW REPORT

PGG engaged Elliott, Lewis, Lieber & Stumpf (ELLS) to review the financial statements of Ameritas Managed Dental Plan, Inc. for the three months ended March 31, 2002. The following is the Accountants' Review Report:

*"To the Board of Directors
Ameritas Managed Dental Plan, Inc.
Costa Mesa, CA*

We have reviewed the balance sheet of AMDP, Inc. as of 3-31-02, and the related statements of operations and retained earnings and cash flows for the three months then ended, in accordance with statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of AMDP, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*Santa Ana, California
September 11, 2002"*

SECTION III. GENERAL BACKGROUND

The Plan is a Specialized Health Care Service Plan domiciled in California with operations in California and formerly in Florida. The Plan is a wholly owned subsidiary of Ameritas Life Insurance Corporation (ALIC), a wholly owned subsidiary of Ameritas

Holding Company (AHC), which is a wholly owned subsidiary of Ameritas Acacia Mutual Holding Company (AAMHC.)

The Plan contracts with employer groups to cover their employees and dependents and individuals and families to provide dental services to a defined, enrolled population for a predetermined, prepaid periodic fee. Dental services are provided through a panel of dental care providers under contract with the Plan. Dentists providing primary dental care are compensated through a monthly capitation fee and specialty providers are compensated on a fee-for-service basis. The dental plan members select their primary dentist from a list of dentists provided by the plan upon enrollment. Members may change their assigned dentist during the year with appropriate notice to the Plan.

As of March 31, 2002 there were 23,637 commercial group enrollees and 9,246 individual enrollees. Previously the Plan had Senior members, however the Plan lost its last senior account with Inter Valley Health Plan as of January 1, 2002. The Plan is now completely out of the senior business as of March 31, 2002.

SECTION IV. INTERNAL CONTROL

Cash and Cash Equivalents:

Cash and Cash Equivalent accounts were reviewed. It was noted that several accounts had negative cash balances reported on the general ledger at March 31, 2002. Upon inquiry and review of the bank statements, it was noted that several material cash transfers between bank accounts had not been booked on the general ledger when they occurred. In addition, many timing differences and accounting errors were scheduled on the bank reconciliation. These reconciling adjustments had been noted, however, the books were not adjusted until August 2002.

The Plan was required to submit procedures that insured that the posting of bank reconciliation adjusting and closing entries to the books and records would be performed on a timely basis. The Plan was also required to identify the management position responsible for overseeing the timely posting to the books and records.

The Plan's response included a policy requiring bank reconciliation be completed within 10 days of receiving the bank statement. The Plan also indicated that the plan accountant is the individual responsible for insuring compliance with this policy.

The Department finds the plans compliance effort is responsive. Further response is not required.